



## **The President's and Other Bipartisan Proposals to Reform Medicare: Modernizing Beneficiary Cost-Sharing**

**By 2026, the Medicare Hospital Insurance (HI) Trust Fund will be bankrupt.** Since 2008, the HI Trust Fund has been spending more money than it is collecting through the Medicare payroll tax.

**Spending from the Supplemental Medical Insurance (SMI) Trust Fund—which is primarily financed through general revenue—will increasingly strain the federal budget.** Under current law, Medicare spending is expected to grow from 3.6 percent of Gross Domestic Product (GDP) in 2012 to 6.5 percent of GDP in 2087.

**Today, Medicare beneficiaries receive \$3 worth of benefits for each dollar paid into the Medicare program.**

**To address concerns with the sustainability of the Medicare Trust Funds,** [President Obama](#) and other bipartisan groups including the [Bipartisan Policy Commission](#), [Moment of Truth Project \(Bowles-Simpson\)](#), [Medicare Payment Advisory Commission](#) and [Congressional Budget Office](#) have all focused on modernizing the Medicare benefit structure. The President has proposed and many of these organizations have considered changes to beneficiary cost-sharing including:

- 1) Increasing Medicare Parts B and D premiums for wealthier seniors;
- 2) Increasing the annual Medicare Part B deductible; and
- 3) Establishing a home health co-payment.

**Cost-sharing in Medicare is out of balance.** In 1966, beneficiaries paid premiums equal to half of the Part B program costs. Today, most pay only 25 percent of the program's cost (\$104.90/month in 2013).

**There is bipartisan support for adjusting premiums.**

- In 2003, a Republican controlled Congress passed income-related premiums for Medicare Part B in the [Medicare Modernization Act \(MMA\)](#). MMA established four income bracket thresholds each with its own Part B premium level (the higher the income bracket, the higher the premium). The income thresholds were indexed to inflation.
- In 2010, a Democratic controlled Congress passed income-related premiums for Medicare Part D in [ObamaCare](#). ObamaCare expanded the Part B income-related premiums to Part D.

**The Medicare Part B deductible helps to share responsibility for payment of Medicare services between Medicare and beneficiaries.**

- This policy is meant, “to strengthen program financing and encourage beneficiaries to seek high-value healthcare services.” (*President Obama's Fiscal Year 2014 Budget*)

**The home health benefit is one of the only benefits in the Medicare program that does not have any beneficiary cost-sharing.**

- “Home health care is liable to abuse...and some cost-sharing is appropriate. We need to discourage people from using home health care that they don't really need.” (*Bipartisan Policy Commission testimony, May 21, 2013*)